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TAGS: [CS](#) [ECON](#) [ENRG](#) [EPET](#) [ETRD](#) [PGOV](#) [PINR](#) [PREL](#) [VE](#)  
SUBJECT: COSTA RICA IN PETROCARIBE LIMBO

REF: A. A) 2008 SAN JOSE 636  
[1](#)B. B) SAN JOSE ECON WEEKLY EMAIL 6/18/2009  
[1](#)C. C) SAN JOSE 107 ALL NOTAL

Classified By: Pol/Econ Counselor David E. Henifin per 1.4 (d)

[1](#)1. (C) SUMMARY: Since the GOCR announced last July that Costa Rica would join Petrocaribe, the story has become murky. In recent months, speculation in the media suggested that Costa Rica had finally closed the deal and would soon move from an observer to a full member. Venezuelan description of the June 13-14 Petrocaribe Summit was positive, but GOCR reaction seemed a little confused. Communications Minister Antillon finally announced June 17 that in an oversight,8 Costa Rica had not been invited to the Summit, so its Petrocaribe application remained pending. Behind the scenes, the Arias administration evidently prefers it that way, hoping not to have to take action on this issue before departing office in May 2010. With oil prices down, there is no need to complete the deal with Caracas, and remaining in Petrocaribe limbo leaves the full membership door open, just in case. Given the likely difficulty in obtaining the required legislative approval swiftly, even if the GOCR chose to proceed, we do not expect to see full Costa Rican membership in Petrocaribe any time soon. END SUMMARY.

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IN OR OUT? YES OR NO?  
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[1](#)2. (U) Since the GOCR announced last July, at the height of the global fuel price crisis, that Costa Rica would join Petrocaribe (Ref A), the story has become murky. Over the last two months, speculation in the media, much of it Venezuelan-generated, suggested that Costa Rica had finally closed the deal and would soon join the organization (moving from observer status to full member). On May 20, the Costa Rican press began running stories quoting Venezuelan legislator Angel Rodriguez, Chairman of the national legislature,s Energy and Mining Committee, who predicted that Costa Rica would be accepted into Petrocaribe at the St. Kitts Summit in June. GOCR Environment, Energy and Telecom (MINAET) Minister Jorge Rodriguez told reporters that this was &very good news,8 but added that the GOCR had seen nothing official from the GOV.

[1](#)3. (U) Venezuelan description of the June 13-14 Summit was positive, while GOCR reaction seemed confused. GBRV Vice FM Francisco Arias told the Venezuelan media that the agreement with Costa Rica was now &history8; a done deal, but GOCR

Minister Rodriguez again responded that Costa Rica had heard nothing official. Costa Rican Ambassador to Venezuela Vladimir de la Cruz said there had been no change during the summit. Costa Rica had not been left out, as some media reported; its request to join simply remained pending (Ref B). Despite headlines in pro-business daily La Republica that Petrocaribe membership would permit Costa Rica to re-export petroleum products received from Venezuela (presumably at a profit), Jose Leon Desanti, director of the state-owned fuel monopoly, RECOPE, echoed de la Cruz's line: no official news from St. Kitts. He deferred to the Foreign Ministry, but stressed Costa Rica's good relations with Venezuela, and noted that his government had met all the requirements to join Petrocaribe.

14. (SBU) When we sought clarification on June 15-16, MINAET Minister Rodriguez and MFA COS Elaine White told us that the GOCR had not even been invited to the St. Kitts event, so no action on Costa Rica's membership could have been taken. White confirmed de la Cruz's comments: the Petrocaribe application remained pending. Communications Minister Mayi Antillon tried to put the speculation to rest on June 17. At the regular news conference following the weekly cabinet meeting, she explained that, according to FM Bruno Stagno, the GOV had apologized for the "oversight" of not having invited Costa Rica to the Petrocaribe meeting; the host (St. Kitts) should have done so. The door was thus still open for Costa Rica to be admitted at the next Petrocaribe Summit.

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LOWER PRICES, SLOWER PROGRESS  
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15. (SBU) As fuel prices dropped, so did the pace of Costa Rica's planned accession to Petrocaribe, but the deal appeared to be on track, at least on the surface. In October 2008, when the GOCR submitted its formal membership request, then energy Minister Roberto Dobles defended Costa Rica's Petrocaribe application as completely valid, despite declining petroleum prices, since the organization provided an element of energy security. Newly-arrived Venezuelan Ambassador Nelson Pineda told interviewers in December that Petrocaribe offered much more than (just) commerce, and could serve as a building block for improved overall Venezuelan-Costa Rican relations. When the Petrocaribe summit scheduled for that month was postponed, Dobles again assured the public that Costa Rica would join in 2009, and would benefit from Petrocaribe membership.

16. (C) In a February meeting with visiting WHA/CEN Deputy Director David Wolfe, key legislators made membership sound like a foregone conclusion, despite the continuing drop in oil prices (Ref C). MFA Foreign Policy Director Alejandro Solano acknowledged to Wolfe that the need for Petrocaribe was less, but it was "better to have it than not". In early March, then MFA CoS Antonio Alarcon told DCM and Pol/Econ Counselor that Petrocaribe membership was still planned for Costa Rica, but there was clearly no hurry. Alarcon made Petrocaribe membership sound very routine, almost an afterthought.

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THE INSIDE STORY: NON-ACTION IS ACTION  
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17. (C) In mid-March, Stagno gave the DCM a very candid view of where Costa Rica was going (or not going) with Petrocaribe. Although neither we (nor the media) have detected hints of this viewpoint anywhere else, it seems to be governing GOCR policy, still. Stagno said then that the agreement with Petrocaribe was going nowhere. In fact, he hoped the GOCR would not sign anything on Petrocaribe during the remainder of the Arias administration (which ends May 1, 2010). The FM explained that the mid-2008 fuel price crisis had forced the GOCR to act then, in order to lay the groundwork for a new fuel price/supply protocol with its major supplier, Venezuela. However, with oil prices down and apparently unlikely to rise to last year's levels anytime

soon, there was no need to complete the deal with Caracas.

¶8. (C) The FM explained that the GOV was asking, but not pressing the GOCR to sign. He acknowledged the need for Costa Rica to diversify its suppliers of oil and petroleum products over the long term. He pointed out that a limiting factor for Costa Rica in diversifying its oil suppliers is RECOPE,s antiquated processing facilities.

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COMMENT  
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¶9. (C) As long as Caracas doesn,t press the issue (which may explain the overly-optimistic comments from legislator Rodriquez and Vice FM Arias), the GOCR seems comfortable in Petrocaribe limbo, neither fully in nor completely out. In mid-2008, an almost desperate Arias administration was willing to explore any option to lower (or to be seen as lowering) the national fuel import bill. What seemed like a good idea at the time is evidently not as attractive (or as necessary) now to the GOCR, especially given lingering questions about Venezuela,s reliability as a supplier, and concerns here about the hidden political costs of membership. However, limbo leaves the Petrocaribe option open, should oil prices skyrocket again, and is in keeping with Tico tendencies to rarely offer a direct &no8 to difficult questions, at least not in public, or to let hard issues slide into a state of extended indecision.

¶10. (C) The challenge will be if the GBRV really presses the GOCR for an answer. In that case, the tortuous local legislative process offers a way out. Legislators may not have questioned Petrocaribe earlier this year, but with a full agenda now and everything colored by the political maneuvering for the February 2010 elections, we doubt the Asamblea would be able to approve Petrocaribe membership quickly or easily. If pressed by Caracas, the Arias administration could thus say yes, and let Petrocaribe trickle to a stop in the legislature (where the average gestation for a bill is 3.5 years). In sum, we do not expect to see Costa Rica as a full member in the Petrocaribe club anytime soon.  
BRENNAN